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HOUSING AUTHORITY OF MERRYVILLE
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
(UNAUDITED)
TWELVE MONTHS ENDED DECEMBER 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/27/05

Mike Estes, P.C.
A Professional Accounting Corporation

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MIKE ESTES, CPA

Board of Commissioners
Housing Authority of Merryville
Merryville, Louisiana

We have reviewed the accompanying financial statements of the business-type activities and each major fund, for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the accompanying supplementary information, which are presented for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Housing Authority of Merryville.

A review consists principally of inquiries of the Housing Authority of Merryville personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended December 31, 2004, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
June 14, 2005

HOUSING AUTHORITY OF MERRYVILLE, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2004

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

The management of Public Housing Authority of Merryville, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending December 31, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,612,855 at the close of the fiscal year ended 2004.
 - ✓ Of this amount \$1,465,986 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$146,869 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 29% of the total operating expenses of \$361,422 for the fiscal year 2004, which means the Authority might be able to operate about 3 months using the unrestricted assets alone.
- The Housing Authority's total net assets decreased by \$161,007, a 9% change from the prior fiscal year 2003. This decrease is attributable to depreciation, which is the Authority's largest non-cash operating expense, described in more detail below.
- The decrease in net assets of these funds was accompanied by a decrease in unrestricted cash by \$92,819 from fiscal year 2003, primarily because the Authority spent about \$16,000 more for operations than funds received, spent about \$5,000 more for asset purchases than capital funds received from HUD, and sold about \$72,000 of its investments.
- The Authority spent \$6,428 on capital asset additions and \$1,200 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$158,285 and an increase in total liabilities by \$2,723. However, as another measure of financial health, there are still over \$9 of current assets covering each dollar of total liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.
- The primary source of funding for these activities continues to be the Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. *These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.*

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to *measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.*

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds: Low Rent Program and Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent accountant's report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,612,855 as of December 31, 2004. Of this amount, \$1,465,986 was invested in capital assets, and the remaining \$146,869 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet As of December 31,		<u>2004</u>	<u>2003</u>
ASSETS			
Current Assets		\$ 164,603	\$ 184,430
Capital Assets, Net of Depreciation		<u>1,465,986</u>	<u>1,604,443</u>
Total Assets		<u>1,630,589</u>	<u>1,788,873</u>
LIABILITIES			
Current Liabilities		17,734	14,557
Non-Current Liabilities		<u>-</u>	<u>454</u>
Total Liabilities		<u>17,734</u>	<u>15,011</u>
NET ASSETS			
Invested in Capital Assets, Net of Depreciation and Related Liabilities		1,465,986	1,585,807
Unrestricted Net Assets		<u>146,869</u>	<u>188,055</u>
Total Net Assets		<u>1,612,855</u>	<u>1,773,862</u>
Total Liabilities and Net Assets		<u>1,630,589</u>	<u>1,788,873</u>

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$161,007, or by 9%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Year Ended December 31,**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Federal Grants - Operating	\$ 259,528	\$ 236,895
Rental Revenue	74,325	67,865
Other Tenant Revenue	6,674	4,854
Total Operating Revenues	<u>340,527</u>	<u>309,614</u>
OPERATING EXPENSES		
Ordinary maintenance and repairs	148,851	135,828
Depreciation	146,086	144,794
Administration	110,226	61,487
Utilities	37,702	37,856
General	32,646	32,496
Protective Services	31,472	29,460
Tenant Services	524	-
Total Operating Expenses	<u>507,507</u>	<u>441,921</u>
(Loss) from Operations	<u>(166,980)</u>	<u>(132,307)</u>
NON-OPERATING REVENUES		
Federal Grants - Capital	1,970	63,802
Other Revenue	7,650	22,298
Interest and Investment Income	393	433
Total Non-Operating Revenues	<u>10,013</u>	<u>86,533</u>
NON-OPERATING EXPENSES		
Extraordinary Repairs	4,040	-
Casualty Losses	-	26,784
Total Non-Operating Expenses	<u>4,040</u>	<u>26,784</u>
NET (DECREASE) IN NET ASSETS	<u>(161,007)</u>	<u>(72,558)</u>
NET ASSETS, ADJUSTED, Beginning of Year	<u>1,773,862</u>	<u>1,846,420</u>
NET ASSETS, End of Year	<u><u>1,612,855</u></u>	<u><u>1,773,862</u></u>

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$45,608, or by 12%, from a combination of larger offsetting factors. Reasons for this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$61,832, or by 97% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2001 through 2003.
- Federal revenues from HUD for operations increased by \$22,633, or by 10% from that of the prior fiscal year. The determination of operating grants is based upon a three year average of past operations performance. The current contributions were greater because of increases in performance of at least one of the prior fiscal years' operations.
- Total other non-operating revenue decreased by \$14,648, or by 66% from that of the prior fiscal year, because the Authority received additional capital fund contributions from HUD during the current year that may be used for operations instead of capital asset purchases.
- Total tenant revenue increased by \$8,279, or by 11% from that of the prior fiscal year, because of two related factors: First of all, tenant rental revenues increased by \$6,460, or by 10%, because occupancy increased by 5%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$1,819, or by 37%. Since there was an increase in tenant revenues, the amount of these fees changed accordingly.
- Interest and investment income totaling \$393, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$42,843, or by 9%, but this also was made up of a combination of offsetting factors. Again, reasons for this change are listed below in order of impact from greatest to least:

- Administrative Expenses increased by \$48,739, or by 79% from that of the prior fiscal year from a combination of many expenses: Administrative staff salaries increased by \$9,177, staff vacation and sick leave pay decreased by \$2,252, and related employee benefit contributions increased by \$678; therefore total staff salaries and benefit costs increased by 21%. Audit fees increased by \$2,000 and Accounting fees increased by \$2,190; thus total outside professional fees increased by 97%. Finally, staff travel reimbursements increased by \$17,672, staff training costs increased by \$4,990, and sundry expenses increased by \$14,283.
- Casualty losses decreased by \$26,784, or by 100% from that of the prior fiscal year, because none were incurred during the current fiscal year.
- Ordinary maintenance and repairs increased by \$13,023, or by 10% from that of the prior fiscal year from a combination of offsetting factors: Materials used increased by \$1,681, or by 4%, and contract labor costs increased by \$15,758, or by 40%. On the other hand, repair staff wages decreased by \$4,161, or by 9%, and related employee benefit contributions decreased by \$254, or by 8%.

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

- Extraordinary maintenance increased by \$4,040, because there were no such expenses incurred in the prior year.
- Depreciation expense increased by \$1,292, or by 1% from that of the prior fiscal year, because there was an increase in capital assets by \$7,628.
- General Expenses increased only by \$150 from that of the prior fiscal year, due to a combination of more significant offsetting changes: Insurance premiums decreased by \$3,052, because property and casualty insurance premiums decreased. On the other hand, payments in lieu of taxes (PILOT) increased by \$1,290, or by 42%, because PILOT is calculated as a percentage of rent (which increased by 10%) minus utilities (which did not change), and therefore changed proportionately to the changes in each of these. Also, uncollectible rents from vacated units increased by \$1,912, or by 90%, because these changed roughly proportional to rent, which increased by 10%.
- Utilities, Tenant services, and Protective services, totaling \$69,699, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Housing Authority had a total cost of \$3,772,835 invested in a broad range of assets and construction in progress from projects funded in 2001 through 2003, listed below. This amount, not including depreciation, represents increases of \$7,628 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation
As of December 31,

	<u>2004</u>	<u>2003</u>
Land	\$ 40,466	\$ 40,466
Construction in Progress	70,809	69,609
Buildings	1,299,405	1,421,993
Leasehold Improvements	17,474	21,116
Furniture and Equipment	<u>37,832</u>	<u>51,259</u>
Total	<u><u>1,465,986</u></u>	<u><u>1,604,443</u></u>

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$610,347 obtained during 2001 through 2003 fiscal years. A total remainder of \$454,608 will be received and \$451,510 will be spent for completing these projects during fiscal year 2005.

Housing Authority of Merryville, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

Debt

Long-term debt includes accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Melissa Slaydon, Executive Director, at Public Housing Authority of Merryville, Louisiana; P.O. Box L; Merryville, LA 70653-0320.

EXHIBIT A

**HOUSING AUTHORITY OF MERRYVILLE
ENTERPRISE FUNDS - BALANCE SHEET
YEAR ENDED DECEMBER 31, 2004**

	General	Capital Fund Program	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 71,155	\$ 0	\$ 71,155
Investments	72,123	0	72,123
Accounts receivable net	2,334	3,099	5,433
Interfund receivable	3,099	0	3,099
Prepaid items and other assets	5,990	0	5,990
Inventory	4,889	0	4,889
Restricted assets - cash	5,013	0	5,013
Total Current Assets	164,603	3,099	167,702
Capital Assets, net			
Land	40,466	0	40,466
Buildings, and equipment (net)	1,344,564	10,147	1,354,711
Construction in progress	0	70,808	70,808
Total Capital Assets, net	1,385,030	80,955	1,465,985
Total Assets	\$ 1,549,633	\$ 84,054	\$ 1,633,667
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 7,114	\$ 0	\$ 7,114
Compensated absences payable	1,277	0	1,277
Interfund payable	0	3,099	3,099
Accrued PILOT	4,330	0	4,330
Deposits due others	5,013	0	5,013
Total Current Liabilities	17,734	3,099	20,833
Total Liabilities	17,734	3,099	20,833
NET ASSETS			
Invested in capital assets, net of related debt	1,385,030	80,955	1,465,985
Unrestricted	146,869	0	146,869
Net Assets	1,531,899	80,955	1,612,854
Total Liabilities and Net Assets	\$ 1,549,633	\$ 84,054	\$ 1,633,667

See accompanying notes and accountant' report.

HOUSING AUTHORITY OF MERRYVILLE
 ENTERPRISE FUNDS - STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
OPERATING REVENUES			
Dwelling rental	\$ 80,998	\$ 0	\$ 80,988
Other	7,650	0	7,650
Total Operating Revenues	88,648	0	88,648
OPERATING EXPENSES			
Administration	97,067	13,158	110,225
Tenant services	525	0	525
Utilities	37,702	0	37,702
Ordinary maintenance & operations	147,817	1,034	148,851
Protective services	31,472	0	31,472
General expenses	32,646	0	32,646
Depreciation	140,801	5,285	146,086
Extraordinary maintenance	4,040	0	4,040
Total Operating Expenses	492,070	19,477	511,547
Income (loss) from Operations	(403,422)	(19,477)	(422,899)
Non Operating Revenues (Expenses)			
Interest earnings	393	0	393
Federal grants	231,060	30,438	261,498
Total Non-Operating Revenues (Expenses)	231,453	30,438	261,891
Income (loss) before contribution and transfer	(171,969)	10,961	(161,008)
Operating transfers in	14,276	0	14,276
Operating transfers out	0	14,276	14,276
Income (loss) before contribution	(157,693)	(3,315)	(161,008)
Change in net assets	(157,693)	(3,315)	(161,008)
Total net assets - beginning	1,689,592	84,270	1,773,862
Total net assets - ending	\$ 1,531,899	\$ 80,955	\$ 1,612,854

See accompanying notes and accountant' report.

HOUSING AUTHORITY OF MERRYVILLE
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 72,626	\$ 0	\$ 72,626
Other receipts	15,572	(500)	15,072
Payments to vendors	(259,503)	(14,192)	(273,695)
Payments to employees – net	(89,461)	0	(89,461)
Net cash provided (used) by operating activities	(260,766)	(14,692)	(275,458)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating transfers in	14,276	0	14,276
Operating transfers out	0	(14,276)	(14,276)
Federal grants	231,060	28,968	260,028
Net cash provided (used) by non- capital financing activities	245,336	14,692	260,028
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(5,658)	(1,970)	(7,628)
Federal Capital Grants	0	1,970	1,970
Net cash provided (used) by capital and related financing activities	(5,658)	0	(5,658)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	393	0	393
Purchase of investments	(72,123)	0	(72,123)
Net cash provided (used) by interest income net of purchases of investment	(71,730)	0	(71,730)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(92,818)	0	(92,818)
CASH AND CASH EQUIVALENTS			
Beginning of Fiscal Year	168,986	0	168,986
CASH AND CASH EQUIVALENTS			
End of Fiscal Year	\$ 76,168	\$ 0	\$ 76,168

Continued

HOUSING AUTHORITY OF MERRYVILLE
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Capital Fund Program</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (403,422)	\$ (19,477)	\$ (422,899)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	140,801	5,285	146,086
Change in assets and liabilities:			
Receivables	(1,699)	0	(1,699)
Due from other funds	500	0	500
Inventories	1,672	0	1,672
Prepaid items	(4,940)	0	(4,940)
Account payables	7,691	0	7,691
Accrued expenses	(1,369)	0	(1,369)
Due to other funds	0	(500)	(500)
Net cash provided by operations	\$ <u>(260,766)</u>	\$ <u>(14,692)</u>	\$ <u>(275,458)</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

During the past year, the General fund received capital assets with a net value of \$263,275 from the Capital Fund program.

Concluded

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Merryville, serve staggered multi-year terms.

The Housing Authority has the following units:

Program	Contract Number	Number Of Units
PHA owned housing	FW – 1266	88

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the Town of Merryville since the Town of Merryville appoints a voting majority of the Housing Authority's governing board. The Town of Merryville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the Town of Merryville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Merryville.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and:
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The Capital Funding program accounts for Capital Funding grants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

New Accounting Standards Adopted During the year ended December 31, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No.21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of Merryville. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD & A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

The impact of GASB #34 on the net assets balance is as follows:

Retained Earnings, Beginning Balance as Previously Reported:	
Enterprise Funds	\$ 272,325
Adjustment For:	
Reclassification of Contributed Capital	1,501,537
Net Assets, Beginning Balance, Business-type Activities	\$ <u>1,773,862</u>

PROPRIETARY FUNDS Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. INVENTORY All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

H. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$200. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demand. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

J. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. INTERFUND ACTIVITY Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

All other interfund transfers are reported as operating transfers. Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

M. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
- Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

At December 31, 2004 the Housing Authority has Cash equivalents, and investments totaling \$76,167 as follows:

Cash on hand	\$	25
Demand deposits		<u>76,142</u>
Total	\$	<u>76,167</u>
Cash and cash equivalents	\$	71,155
Cash and cash equivalents – restricted		<u>5,012</u>
Total	\$	<u>76,167</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the Housing Authority's carrying amount of deposits was \$76,142 and the bank balance was \$90,893. Of the bank balance, \$90,893 was covered by federal depository insurance (GASB Category 1).

Investments during the year were solely in time deposits at banks.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at December 31, 2004, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Capital Fund Program</u>	<u>Total</u>
Local sources:			
Tenants	\$ 2,334	\$ 0	\$ 2,334
Federal sources:			
Grants	<u>0</u>	<u>3,099</u>	<u>3,099</u>
Total	\$ <u>2,334</u>	\$ <u>3,099</u>	\$ <u>5,433</u>

The tenants account receivable is net of an allowance for doubtful accounts of zero.

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Land	\$ 40,466	\$ 0	\$ 0	\$ 40,466
Buildings	3,534,367	0	0	3,534,367
Furniture and equipment	191,574	6,428	0	198,002
Construction in progress	69,609	1,199	0	70,808
Total	<u>3,836,016</u>	<u>7,627</u>	<u>0</u>	<u>3,843,643</u>
Less: accumulated depreciation				
Buildings	2,091,257	126,230	0	2,217,487
Furniture and equipment	140,315	19,856	0	160,171
Total	<u>2,231,572</u>	<u>146,086</u>	<u>0</u>	<u>2,377,658</u>
Fixed assets, net	<u>\$ 1,604,444</u>	<u>\$ (138,459)</u>	<u>\$ 0</u>	<u>\$ 1,465,985</u>

NOTE 5 – RETIREMENT SYSTEM The Housing Authority does not have a retirement plan.

NOTE 6 – ACCOUNTS PAYABLE The payables at December 31, 2004 are as follows:

	General	Total
Vendors	\$ 5,983	\$ 5,983
Payroll taxes & Retirement withheld	1,131	1,131
Total	<u>\$ 7,114</u>	<u>\$ 7,114</u>

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of state and federally assisted grant programs. The programs are periodically subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

Construction Projects There are certain renovation or construction projects in progress at December 31, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

NOTE 8 – INTERFUND RECEIVABLES / PAYABLES Interfund receivables / payables at December 31, 2004 are as follows:

The Capital Fund program owes \$3,099 to the Low Rent program.

NOTE 9 – COMPENSATED ABSENCES At December 31, 2004, employees of the Housing Authority have accumulated and vested \$1,277 of employee leave computed in accordance with GASB, Codification Section C60.

NOTE 10 – GENERAL LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended December 31, 2004.

		Compensated Absences
Balance, beginning	\$	454
Additions		823
Deductions		0
Balance, ending		1,277
Amounts due in one year	\$	1,277

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

NOTE 11 – INTERFUND TRANSFERS Interfund transfers for the year December 31, 2004 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>
Low Rent	Capital Fund

The Capital Fund grant provisions allowed the PHA to transfer \$14,276 to the Low Rent program to pay for eligible Low Rent expenses and to also increase the operating reserve.

NOTE 12 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$261,498 to the Housing Authority, which represents approximately 75% of the Housing Authority's total revenue for the year.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF MERRYVILLE
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED DECEMBER 31, 2004

CASH BASIS

	2001 Capital Fund		2002 Capital Fund		2003 Capital Fund
Funds approved	\$ 194,301	\$	183,880	\$	142,760
Funds expended	<u>90,739</u>		<u>25,487</u>		<u>42,611</u>
Excess of funds approved	<u>\$ 103,562</u>	\$	<u>158,393</u>	\$	<u>100,149</u>
 Funds advanced	 \$ 88,840	 \$	 24,287	 \$	 42,611
Funds expended	<u>90,739</u>		<u>25,487</u>		<u>42,611</u>
Excess of funds advanced	<u>\$ (1,899)</u>	\$	<u>(1,200)</u>	\$	<u>0</u>

See Finding 04 – 01

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>231,060</u>
Public Housing Capital Fund	14.872	<u>30,438</u>
Total United States Department of Housing and Urban Development	\$	<u>261,498</u>
Total Expenditures of Federal Awards	\$	<u>261,498</u>

See accountants' report

HOUSING AUTHORITY OF MERRYVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2004

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Merryville, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's general-purpose financial statements as follows:

	<u>Federal Sources</u>
General	\$ 231,060
Capital Fund	30,438
Total	<u>\$ 261,498</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – FEDERAL AWARDS PROGRAMS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, "federal awards" do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act "federal awards expended" threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

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MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Housing Authority of Merryville
Merryville, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Housing Authority of Merryville, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about compliance with certain laws and regulations during the year ended December 31, 2004 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year for materials and supplies exceeding \$20,000. There were two payments in excess of \$5,000. One was \$20,950 for insurance, and another was \$12,788 specialized PHA computer software. Both disbursements were properly supported.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on November 10, 2003 which indicated that the budget had been adopted by the commissioners by unanimous consensus. No amendments were made to the budget during the year.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select a minimum of 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the seventy-eight selected disbursements (excluding payroll that was also reviewed) and found that payment was for the proper amount and made to the correct payee, except as follows: In one instance, there was a \$37 difference between the disbursement and the invoice. In another instance, the PHA duplicated a \$359 payment.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection documentation supporting each of the seventy-eight selected disbursements indicated approvals from the Executive Director and the chairman of the Board of Commissioners, except in one instance. In that instance, only a Board member signed the check.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law). The PHA is not publishing the proceedings of its meetings in a local newspaper. See Finding 04 – 05.

The Housing Authority of Merryville is only required to post a notice of each meeting and the accompanying agenda on the door of the PHA's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Debt

10. Examine bank deposits for the period under examination to determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances or gifts.

A reading of the minutes of the Authority for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances or gifts.

Our prior year report, dated June 4, 2004 contained four audit findings and three management letter items, as noted on the attached schedule.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for use of management of the Housing Authority and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.
Fort Worth, Texas
June 14, 2005

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

June 14, 2005 (Date Transmitted)

Mike Estes, P.C.

4200 Airport Freeway #100

Fort Worth, Texas 76117

(Auditors)

In connection with your compilation of our financial statements as of December 31, 2004 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 14, 2005.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [X] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LAS-RS 42:1101-1124.

Yes [X] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [X] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [X] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31 and 44:36.

Yes [X] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [X] No []

We have had our financial statements audited or reviewed in accordance with LAS-RS 24:513.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Melina Daylan Executive Director 6-14-05 Date

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Prior Audit Findings

The prior audit report contained four audit findings, as follows:

Finding 03 – 01 Tenants Past Due for Recertification

Tenants now appear to be recertified on an annual basis. This finding is cleared.

Finding 03 – 02 50058's Not Filed in 2003

This is repeated as finding 04 – 03.

Finding 03 – 03 Inadequate Documentation of Utility Allowance Review

This is repeated as finding 04 – 04.

Finding 03 – 04 Lapses in Fidelity Bond Coverage

We noted there was two lapses of insurance coverage. The first was from January 6, 2003 through April 18, 2003. The second was from April 19, 2004 through May 11, 2004. There were no lapses after May 11, 2004. This finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

Capital Fund

04 – 01 – Inadequate Monitoring of Capital Funding Programs

Statement of Condition

The 2001 Capital Fund program funds must be expended by June 30, 2005. If not, it appears the PHA will not be able to utilize the unexpended funds. At June 14, 2005, \$97,160 of funds remained, which were budgeted for dwelling structures. The PHA will be unable to expend, or even obligate, the \$97,160 by the June 30 expiration date.

Criteria

The PHA has had the use of the funds since 2001. The PHA must monitor its grant timeframes, and obligate and expend the funds in a timely manner.

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Effect

It appears the PHA will lose \$97,160 of funding it once had.

Cause

The Executive Director appeared remorseful on June 14 when it appears she learned this. Originally, the 2001 grant was to be used for roof replacement, but prior, open CIAP's took care of the roofs. The Executive Director experienced health problems in 2003 and 2004. Most recently, she claims she has been pre-occupied with disputes with an employee.

Recommendation

The Board of Commissioners needs to consider whether current employees can adequately oversee the Capital Funding and other programs. Losing \$97,160 of Capital Funding is a serious issue.

At June 14, \$140,689 remains to be spent by the subsequent, 2002 Capital Funding program. This must be spent by June 30, 2006. The Board needs to monitor this.

04 – 01 Corrective Action Plan – Response

I am Melissa Slaydon, Executive Director and Designated Person to answer these findings. I will work with the Board to make sure the Capital Funding programs are adequately monitored in the future.

Low Rent and Capital Funding

04 – 02 – Documentation of Records Provided to Accounting Needs Improvement

Statement of Condition

The PHA's present policy is to send check vouchers and copies of invoices to the fee accountant for accounting functions. To perform the review, we used the check vouchers and attachments sent to the fee accountant.

We found that sometimes the invoice copies were not readable, or were not attached. When I visited the PHA, I determined that the original copies of the invoice were kept by the PHA.

Criteria

The fee accountant's in-house policy is that to process PHA transactions, it must have legible invoices or other backup that supports the transaction. In too many instances, it appears this is lacking.

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Effect

The fee accountant must start, then postpone its monthly processing function when it is determined additional support is needed. This wastes time of the PHA and also the fee accountant. The latter is generally working for a fixed fee.

Cause

The PHA does not double-check to make sure all check vouchers sent to the fee accountant have legible, attached support.

Recommendation

The PHA should consider sending the original invoices to the PHA, and keep copies. In any event, both the clerk and the Executive Director should check the month's check vouchers, and ensure that sufficient, legible backup is attached. All accounting information should be timely mailed to the fee accountant, to allow the latter to timely fulfill its accounting function.

04 - 02 Corrective Action Plan - Response

Unless the Board objects, we will mail the original invoices and statements to the fee accountant, and keep copies. We will check to ensure all check vouchers have support.

Low Rent

04 - 03 - 50058 Filing

Statement of Condition

In early 2003, the PHA lost its data base, due to a lightning storm. Prior to the storm, the PHA was transmitting the 50058 info on HUD FRS, but had contracted with a private software provider to switch.

The situation is still not rectified. The software provider did a baseline for May 2005, and there are numerous items to be considered.

Criteria

The PHA is required to submit the 50058 form electronically to HUD each time the PHA completes an admission, annual re-examination, interim re-examination, or other change of unit for a family. OMB Circular A-133 considers 50058 to be critical information.

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Effect

HUD is unable to include this PHA's info in its statistical data that HUD used for various purposes.

Cause

Unknown

Recommendation

The PHA should clarify or provide the missing information as soon as it can.

04 – 03 Corrective Action Plan – Response

We plan to have this finished shortly. We will resubmit no later than July 15, 2005.

Low Rent

04 – 04 – Inadequate Documentation of Utility Allowance Review

Statement of Condition

The PHA did not review its utility allowances in 2003 or 2004, or so far, in 2005.

Criteria

Federal regulations require the PHA to review utility rates at least annually, and revise the rates whenever there is a change of 10% or more in any category (24 CFR Section 982.517)

Effect and Questioned Costs

Utility allowances may have been incorrect.

Cause

Unknown

Recommendation

The PHA should do the survey or hire a consultant to perform a utility survey and prepare revised utility allowances if necessary.

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

04 – 04 Corrective Action Plan – Response

We have contacted a consultant. We will contract with him, and get the utility rates reviewed. If necessary, we will revise the rates. We will do all of the above no later than October 31, 2005.

Low Rent and Capital Funding

04 – 05 – Proceedings of Board Minutes Not Published in Newspaper

Statement of Condition

The PHA has not published the proceedings of its Board minutes since early 2004.

Criteria

Louisiana Revised Statute 40:381 requires that the proceedings of its Board meetings be published in a local newspaper. A verbatim printing of the minutes is not required. Instead, a general description of what is discussed and what resolutions are passed is required.

Effect and Questioned Costs

Non-compliance with state law.

Cause

Unknown

Recommendation

The PHA should publish the proceedings of its next Board meeting, and continue to do so.

04 – 05 Corrective Action Plan – Response

We will comply with the above.

SEE MANAGEMENT LETTER ON NEXT PAGE

HOUSING AUTHORITY OF MERRYVILLE
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED DECEMBER 31, 2004

04 MI – Travel and Related Items

In years prior to 2004, we felt that PHA did not attend enough training. Regulations are changing, complicated, and personnel must attend seminars to stay current. However, the PHA should carefully review future attendance. It needs to be sufficient, but not excessive. 2004 included trips to California and Detroit. Costs for staff training and travel totaled \$22, 661. The PHA needs to attend the free HUD-sponsored training whenever possible.

Other expenditures need to be carefully reviewed. In August 2004, the PHA paid \$591 for a Palm Pilot and accessories. But, at June 14 when I visited, the Palm Pilot was not being utilized.

04- M2 – Quality Control Documentation

In 2004, the person performing tenant file maintenance began using checklists, which is an improvement. Also, the PHA began documenting its Supervisory Review of tenant rental-related collection, recording and deposits.

However, the PHA still needs to document the supervisor's quality control checks of tenant file functions. I discussed and left a checklist example with the Executive Director.

Merryville Housing Authority

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July 21, 2005

Legislative Auditor
Susan Elliott
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Susan:

This is in response to the last past unaudited state review report for 2004 for the Merryville Housing Authority. On the first comment, the Merryville Housing Authority will attend pertinent HUD sponsored training and State meetings. The second comment, the Merryville Housing Authority will do and has already started the quality control checks suggested by the Auditor. We began these quality control checks in June 2005. We have tried to take all suggestion from the auditor and use them.

Thank you.



Melissa Slaydon
Executive Director